

MONTANA LEGISLATIVE HISTORY

Chapter 345 19 71

Bill H 406 S \_\_\_\_\_ Original bill & history C

H. Committee on Ways & Means

Hearing Date(s) 2-4 \_\_\_\_\_ C

\_\_\_\_\_ C

\_\_\_\_\_ C

\_\_\_\_\_ C

Date Out 2-10 \_\_\_\_\_ C

S. Committee on Taxation

Hearing Date(s) 3-2 \_\_\_\_\_ C

\_\_\_\_\_ C

\_\_\_\_\_ C

3-2 \_\_\_\_\_ C

---

Did this bill originate in an interim committee? \_\_\_\_\_ Yes \_\_\_\_\_ No

Committee \_\_\_\_\_

Report \_\_\_\_\_

## WAYS AND MEANS COMMITTEE

## 42nd Legislative Assembly

| Bill No.         | Subject Matter                                                               | Date In | Hearing Date | Comments | Date Out | Committee Action      | Final Action                |
|------------------|------------------------------------------------------------------------------|---------|--------------|----------|----------|-----------------------|-----------------------------|
| HB 406<br>Hims1  | Remove the exemption of dividends from capital stock                         | 1/22    | 2/4          |          | 2/10     | DO PASS               | As of 3/4 Enrolling         |
| HB 409<br>Ulmer  | Provide that net proceeds tax on gas shall be payable in 2 installments      | 1/22    | 1/28         |          | 2/9      | DO NOT PASS           | KILLED                      |
| HB 414<br>Towe   | Provide that the shares of banking corporation be placed on assessment rolls | 1/22    | 2/3          |          | 2/9      | DO NOT PASS           | KILLED                      |
| HB 434<br>Haines | Relating to table wines                                                      | 1/22    | 2/6          |          | 2/10     | As amended<br>DO PASS | As of 3/4 Enrolling         |
| HB 474<br>Marbut | Providing for a State Home owner grant act                                   | 1/22    | 2/5          |          | 2/9      | DO NOT PASS           | KILLED                      |
| HB 518<br>Dye    | Simplifying procedures in taxation of aviation gasoline                      | 1/22    | 1/26         |          | 1/26     | DO PASS               | As of 3/4 Governor's office |
| HB 522<br>an-    | Regarding referendum for a sales tax                                         | 1/22    | 1/30         |          | 1/30     | DO NOT PASS           | KILLED                      |

February 4, 1971

WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Walter Ulmer at 9:00 a.m. Roll call showed all members present.

HB 406 of which Rep. Himsel is principal sponsor was the first bill to be heard this morning. He commented briefly saying many felt there should be equality between Federal and national banks. Dividends from the capital stock of national banks located in Montana are not being exempt from state taxation. They felt there might be some question as to the amendment, therefore two effective dates are provided which should take care of this.

There being no further testimony on this bill, HB 156 was the next to be heard. Rep. McGrath, principal sponsor stated this bill calls for a general obligation bond for the State of Montana. He discussed several amendments that should be considered regarding dates. There are approximately 12,000 veterans in Montana which would be a cost to the state of about 5.5 million.

Mr. Wm. R. Lindsay representing the American Legion spoke as a proponent offering several amendments. His prepared testimony is attached and forms a part of these minutes.

There being no further proponents, Mr. Tom Maddox representing the Montana Association of Tobacco and Candy Distributors spoke in opposition. His prepared statement is attached and forms a part of these minutes.

Jerome Loendorf, attorney representing the Montana Association of Tobacco and Candy Distributors also spoke in opposition. He commented on various parts of the bill that seemed rather unclear, regarding the formal declaration date by the US government. The question was also brought up about people entering the service for short periods of time really should not qualify. It states in the bill this tax shall be levied and imposed and the assessment beginning on April 1, 1971 and also it should be submitted to a referendum vote. Would you be able to collect a tax before it becomes law. They felt money should go to veterans with some specific purpose such as medical help, education, homes, etc. Feels a great burden is being placed on the cigarette industry.

Rep. McGrath was then given the chance for rebuttal. He stated the income on cigarettes has increased from 3 million to 6 million and the average tax in the 50 states is 10¢ a pack. In the fifty states the cigarette tax ranges from 2¢ to 18¢.

There being no further testimony on this bill a rather lengthy question and answer period was held. Topics covered were the cost of cigarettes purchased in vending machines against those purchased over the counter, the number of veterans in Montana who actually served in Viet Nam and how many of these were volunteers or were drafted, declaration of a cut off date and discussion of the general obligation bonds.

went to the 5% Class more money could be derived for the county.

Norman Mathews, Lewis & Clark County Assessor, representing the Assessors Association was very much opposed to the bill, stating there are many inequities in it. Boats, trailers, campers, etc. fall into this same category of seasonal use and he felt snowmobiles should not be exempt from the 20% rate. Closed by urging the committee to send this bill out as do not pass.

Mr. Vern Miller of the State Board of Equalization spoke in opposition to the bill commenting on the inequities. He then passed out a report prepared by the State Board showing examples of property tax of snowmobiles, boats, motorcycles and automobiles. This handout was discussed and is attached and forms a part of these minutes.

There was a brief question and answer period covering licensing of snowmobiles mainly.

The witnesses were then excused.

Rep. Keller moved HB 271 be reported out of committee DO NOT PASS. A hand vote was taken and the motion passed unanimously.

Rep. Giesick then made a motion that HB 302 be reported out of committee DO NOT PASS. Rep. Watt then made a substitute motion that this bill DO PASS. A hand vote was taken which failed. A hand vote was taken on the original motion and passed.

Rep. Lockwood then presented for the record petitions signed by people in his area opposed to raising taxes on income and real estate. These are attached and form a part of these minutes.

Rep. Fasbender moved that HB 584 DO PASS. A substitute motion was made by Rep. Giesick that HB 584 be reported out of committee DO NOT PASS. Substitute motion was then made to all motions pending by Rep. Fasbender that HB 584 be laid on the table, after which he discussed his reason at some length. He stated if we don't raise the budget at all from the last biennium we will still be short ten million. After some more discussion his motion was voted on and failed. Rep. Giesick's motion was then voted on by a hand vote and carried.

The next bill to be considered was HB 406. Rep. Fasbender moved that HB 406 be reported out of committee DO PASS. This was seconded and passed.

The sub-committee appointed on HB 434, allowing table wines to be sold in stores, of which Rep. Keller was chairman reported

| BILL NO. | ENTERED COMM. | OUT OF COMM. | COMMITTEE ON <u>taxation</u> 1971 |             |                    |                  |                            |                     |          |
|----------|---------------|--------------|-----------------------------------|-------------|--------------------|------------------|----------------------------|---------------------|----------|
|          |               |              | DO PASS                           | DO NOT PASS | DO PASS AS AMENDED | BE CON-CURRED IN | BE CONCURRED IN AS AMENDED | BE NOT CONCURRED IN |          |
| HB 267   | 2/2/71        | 2/4/71       |                                   |             |                    | x                |                            |                     | S by Gov |
| HB 286   | 2/23          | 2/27         |                                   |             |                    | x                |                            |                     |          |
| HB 287   | 2/22          | 2/25         |                                   |             |                    | x                |                            |                     |          |
| HB 331   | 2/10          | 2/18         |                                   |             |                    |                  | x                          |                     |          |
| HB 352   | 2/3/71        | 2/16         |                                   |             |                    |                  | x                          |                     |          |
| HB 380   | 2/2           | 2/11         |                                   |             |                    | x                |                            |                     | S by Gov |
| HB 406   | 2/22          | 3/2          |                                   |             |                    | x                |                            |                     |          |
| HB 419   | 2/23          | 2/27         |                                   |             |                    | x                |                            |                     |          |
| HB 434   | 2/18          | 2/24         |                                   |             |                    |                  |                            | x                   |          |
| HB 492   | 2/4           | 2/16         |                                   |             |                    |                  |                            | x                   | KILLED   |
| HB 518   | 1/30          | 2/13         |                                   |             |                    |                  | x                          |                     |          |
| HB 530   | 2/12          | 2/24         |                                   |             |                    |                  |                            | x                   | KILLED   |
| HB 580   | 2/12          | 2/24         |                                   |             |                    |                  | x                          |                     |          |
| HB 581   | 2/22          | 2/25         |                                   |             |                    | x                |                            |                     |          |
| HB 582   | 2/12          | 2/24         |                                   |             |                    |                  |                            | x                   | KILLED   |
| Hb 616   | 3/3           |              |                                   |             |                    |                  |                            |                     |          |
| HJR 4    | 1/25          | 2/2          |                                   |             |                    | x                |                            |                     |          |
| HJR 49   | 2/12          | 3/2          |                                   |             |                    | x                |                            |                     |          |

March 2, 1971

The committee on taxation met at 9 A.M. in 402 on the above date. A quorum being present, the Chairman called the meeting to order with roll call. Representative Lucas was introduced as the chief sponsor of HJR 49. He explained that this was upon the recommendation of the National Conference of Educators, and that similar bills were introduced in 47 states. He stated the purpose of the bill was to receive a federal sharing program for education, and would call for a National Convention to correlate a federal revenue sharing policy for education. There were no further witnesses, and no questions, and Representative Lucas was excused.

HJR 49: Motion by Senator Mathers, second by Senator Rostad that HJR 49 BE CONCURRED IN. Voted and passed. Three dissenting votes.

HOUSE BILL 406: Senator Lyons said after checking on this bill he did not feel there would be any adverse effect on either state or national banks so far as he could tell. Motion made by Senator Lyons that House Bill 406 BE CONCURRED IN. Voted and passed.

HOUSE BILL 107: Discussion was held on the amendments offered on this bill, and the subcommittee was not satisfied with them. The meeting was recessed for t-he committee to study them.

Following recess, discussion was held on House Bill 107. A motion following discussion and study by the committee, was then made by Senator Turnage, seconded by Senator Lyons that House Bill 107 be not concurred in. Voted and passed with Senator Gilfeather casting a "no" vote.

There being a request that the secretary record no remaining bills in committee, the meeting was adjourned.

  
\_\_\_\_\_  
SENATOR NEES, Chairman

Exceptions—  
railway  
electrification.

Rural lines.

*guying application and must have a dry flash over rating equal to two (2) times the line to line voltage. The above shall not apply to railway electrification, where at least one (1) insulator shall be inserted in each end of every auxiliary cross-span and one in each auxiliary guy, and provided further, that in accord with the provisions of the national electric safety code, the above shall not apply to lines in rural areas where a common neutral is used and both primary and secondary circuits and also the guys are grounded to said common neutral and said common neutral has at least four (4) ground connections in each mile in addition to each ground connection at individual services."*

Approved March 15, 1971

#### CHAPTER NO. 345

An Act Amending Section 84-4905, R.C.M. 1947, to Remove the Exemption of Dividends from Capital Stock of National Banks in Montana from Adjusted Gross Income for Income Tax Purposes; and Providing Effective Dates.

*Be it enacted by the Legislative Assembly of the State of Montana:*

Amending clause.

Section 1. Section 84-4905, R.C.M. 1947, is amended to read as follows:

Adjusted gross  
income defined.

"84-4905. **Adjusted gross income.** (1) Adjusted gross income shall be the taxpayer's federal income tax adjusted gross income as defined in section 62 of the Internal Revenue Code of 1954 or as that section may be labeled or amended, and in addition shall include the following:

Additional  
inclusions.

(a) Interest received on obligations of a state, territory, county or municipality;

(b) Refunds received of federal income tax, to the extent the deduction of such tax resulted in a reduction of Montana income tax liability.

Exclusions.

(2) Adjusted gross income does not include the following which are exempt from taxation under this act:

(a) Interest income from obligations of the United States government.

(b) All benefits received under the Federal Employees Retirement Act not in excess of thirty-six hundred dollars (\$3,600).

(c) All benefits paid under the Montana Teachers Retirement Act which are specified as exempt from taxation by section 75-2713.

(d) All benefits paid under the Montana Public Employees Act which are specified as exempt from taxation by section 68-1303.

(e) All benefits paid under the Montana Highway Patrol Retirement Act which are specified as exempt from taxation by section 31-221.

(f) Montana income tax refunds or credits thereof.

(3) In the case of a shareholder of a corporation with respect to which the election provided for under subchapter S. of the Internal Revenue Code of 1954, as amended, is in effect, but with respect to which the election provided for under section 84-1501.2, as amended, is not in effect, adjusted gross income does not include any part of the corporation's undistributed taxable income, net operating loss, capital gains or other gains, profits or losses required to be included in the shareholder's federal income tax adjusted gross income by reason of the said election under subchapter S. However, the shareholder's adjusted gross income shall include actual distribution from the corporation to the extent they would be treated as taxable dividends if the subchapter S. election were not in effect."

Corporation  
shareholders.

Exclusions.

Inclusions.

Section 2. For the taxable year beginning on and after January 1, 1971, the amendment to Section 1 of the act is effective in accordance with Public Law 91-156, Section 1 (12 U.S.C. 548 (5)).

Effective January  
1, 1971.

For taxable years beginning on and after January 1, 1972, the amendment to Section 1 of this act is effective in accordance with Public Law 91-156, Section 2 (12 U.S.C. 548).

Effective January  
1, 1972.

Section 3. This act is effective on its passage and approval.

Effective  
immediately.

Approved March 15, 1971